

STUDY REVEALS INSURERS TAKE ON MORE RISK FOR THEIR INVESTMENT PORTFOLIOS AND ARE ACUTELY AWARE OF THE CHALLENGES THEY FACE

- **Inflation, a stock market correction and climate change are seen as the three main risks facing insurers**
- **Credit, currency, equity and liquidity risks facing insurers are expected to rise next year**

New global research* from Ortec Finance, the leading global provider of risk and return management solutions for insurers and other financial services companies, reveals insurers expect to take on more risk in 2024 when it comes to their investment portfolios.

The global study* among investment management professionals in Life Insurers, London Markets (re)insurers and investment managers who support insurers, reveals over the past 12 months that 51% of those surveyed believe the risk profile of the funds they help to manage has increased, compared to 41% who think it has fallen. Over the next 12 months, 59% believe the risk profile will increase further – 14% anticipate a dramatic rise – and just 39% believe it will fall.

This growing risk appetite is reflected in how survey respondents see their portfolio allocation changing over the next 24 months. Some 81% expect them to increase their allocation to US equities, and 80% said this about investment grade fixed income, for example.

When asked to select the three main risks they feel insurers are facing when it comes to their investments, 72% selected inflation, followed by 57% who cited a stock market correction, and 49% who selected climate change. Some 39% selected geopolitical instability within their three main risks, but only 7% included a recession.

In terms of more specific risks facing insurers when managing their portfolios over the next 12 months, 74% interviewed expect an increase in credit risk, 72% think this about currency risk, as do 68% about the equity risk they could face in 2024. Some 65% think there could be an increase in the interest rate risk facing insurers, and 63% think this about liquidity risk.

Hamish Bailey, Managing Director UK, and Head of Insurance & Investment said: “Our research shows many insurers are prepared to take on more risk when it comes to their investment portfolios, and they are also acutely aware of the challenges in doing so.

“As they look to expand the range of asset classes they invest in and diversify their portfolios, enhanced scenario analysis, stress testing and monitoring can provide insights and help assess how they would be affected by various changing risk factors.”

Ortec Finance provides insurers with a range of services to help them confront challenges like complex liabilities, low yields, increasing investment performance analysis demands, or to assess climate change related risks and opportunities.

Specific services Ortec Finance provides to insurers are around asset liability management, asset allocation, risk management, economic scenario testing and performance measurement & attribution. For further information visit

<https://www.ortecfinance.com/en/industries/insurance-companies>

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Notes to editors:

*Ortec Finance commissioned independent research company Pureprofile to interview 100 investment management professionals at life insurance companies, Lloyds of London insurer and reinsurers and at fund managers who support insurers in November 2023. Survey respondents are located in the UK, the USA, France, Germany, Hong Kong, Italy, Netherlands, Singapore and South Korea. Collectively the organisations they work for manage around \$5 trillion.

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About Ortec Finance

Ortec Finance is the leading provider of technology and solutions for risk and return management. It is Ortec Finance’s purpose to enable people to manage the complexity of investment decisions.

This is accomplished via the delivery of leading technologies and solutions for investment decision-making to financial institutions around the world. Ortec Finance’s strength lies in an effective combination of advanced models, innovative technology, and in- depth market knowledge. This combination of skills and expertise supports investment professionals in achieving a better risk-return ratio and thus better results.

Headquartered in Rotterdam, The Netherlands, Ortec Finance has offices in Amsterdam, London, Toronto, Zurich, Melbourne, and New York. Ortec Finance helps 600+ clients manage their \$15 trillion assets under management. www.ortecfinance.com